



Anatomy of an Investigation:

Office of Export Enforcement

Bureau of Industry and Security (BIS)

U.S. Department of Commerce

Moderator : OEE Director Douglas Hassebrock

Panel Members: Asst. Special Agent in Charge Richard Weir
SAC-Los Angeles
Special Agent Philip Kuhn, SAC-Washington



Who Are We?

The enforcement arm of The Department of
Commerce, Bureau of Industry and Security (BIS)



Office of Export Enforcement

- Case Example
 - Cheerway Et Al
- Questions & Answers

A graphic titled "OUR MISSION" featuring an American flag at the top. Below the flag, the text "BUREAU OF INDUSTRY AND SECURITY" and "OFFICE OF EXPORT ENFORCEMENT" is displayed next to a circular seal. The main title "OUR MISSION" is centered. Below this, there are four images: a missile launch, a damaged building, a nuclear explosion, and a portrait of Osama bin Laden. To the right of these images, the text "Keep the most sensitive goods out of the most dangerous hands." is written.

BUREAU OF INDUSTRY AND SECURITY
OFFICE OF EXPORT ENFORCEMENT

OUR MISSION

Keep the most sensitive goods out of the most dangerous hands.



OEE: Enforcement Priorities

- *Weapons of Mass Destruction (WMD) proliferation*
- *Terrorism and State sponsorship of terror*
- *Diversions to unauthorized military end use*



Export Enforcement's Mission

Protect National Security and Foreign Policy Goals

- Prevention and Detection in
- **Partnership with Industry**
- Investigation and Prosecution
- Domestic and International
- Law Enforcement Cooperation



CRIMINAL



CRIMINAL PENALTIES

COMMERCE:

- EAR - currently enforced under 50 U.S.C., sec. 1705 (b), IEEPA. (EAA currently in lapse)

OTHER STATUTES:

- Conspiracy, 18 U.S.C. sec. 371
- Money Laundering, 18 U.S.C. 1956
- False Statements, 18 U.S.C. 1001
- And more....



Case Example:

CHEERWAY ET AL



Prevention and Detection in Partnership with Industry

Industry Source contacted OEE
with information about a suspicious transaction

Cheerway was purchasing integrated circuits controlled under
ECCN 3A001 and exporting to China

Cheerway had provided a BIS 711 End User Statement with
false information regarding the end user and end use of the
components



Prevention and Detection in Partnership with Industry (cont)



Research of Cheerway revealed
the address provided was a residence

The subject, William Tsu claimed to be
the Vice President of Cheerway
located in the U.S., but was
actually residing in Beijing, China

Subject was arrested at the Commerce
Casino after admitting in an
interview his culpability in
exporting 3A001 components to
China

Prevention and Detection in Partnership with Industry (cont)

Translation:

“Our goal is grand. Our business is brilliant. Our product is superior. Our team is professional. We unwaveringly undertake providing the motherland with safe, reliable and advanced electronic technical support in the revitalization of our national military industry as our mission.”

“Ride the wind and cleave the waves. Set our sails to cross the open sea.”





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设计运用：CADENCE软件，模拟运用Agilent ADS软件。

芯片设计根据频率的需要可用：CMOS、RFCMOS、SiGe、GaAs等工序过程处理，或混合两种以上不同工序过程处理。客户可根据设计自主生产样板，或由我公司安排选择国际著名芯片厂商如：TMC、IBM、Infineon等代为生产。

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- 产品出口业务：**公司利用自身国际业务渠道广以及国内装配、测试成本低于国际平均成本的优势，进行电子产品的资源出口调配，扩大伙伴企业的市场，增加伙伴企业利润。

Prevention and Detection in Partnership with Industry (cont)

Partnership with industry, FBI, ICE, DCIS, the U.S.
Attorney's Office and OEE led to a successful
prosecution

Pled Guilty to a FEDERAL FELONY
Sentenced to 3 years 4 months in prison and 3 years
probation

Administrative charges are pending



OFFICE OF EXPORT ENFORCEMENT



Hotline 1-800-424-2980

For more information or to receive
regular email updates, please
visit our website at :

www.bis.doc.gov





Help us protect you...



Richard Weir
ASST. SPECIAL AGENT IN
CHARGE

LOS ANGELES FIELD
OFFICE

ARC International, LLC





Canadian Government Lead

- October 2008:

Suspected diversion of controlled items from Canada, through a company in the US, to the Xi'an Xiangyu Aviation Technology Group (XXATG) in the PRC.

- Identifies Harold Hanson, Yaming Hanson and ARC International in Maryland.





China?

"Remember, MicroPilot was pretty uptight about exporting the computer ground control last time. Now I have a US address which will make it easy to ship things to me. But how will we get them to China?"

12/06/2007 e-mail from Harold to Nina



Fastest Results

- "Yes, you did very good with MicroPilot. They will cut Arc a check after each shipment...on second shipment you will get \$10,000. On shipments 3,4 and 5, you get \$5,000 each....You and Fang can sign the MicroPilot Purchase Agreement and End Use Statement and fax them back to Tim to get this going....Fang will need to sign a statement that the MP2 8s are used for civilian, military or both military and civilian purposes. I think civilian purposes will get fastest results. Be prepared to talk to Tim and others about the model club and university research ideas."*

- 12/19/2007 e-mail from Harold to Nina



End User Statement

- *"Xi'an XiangYu Company is a civil aviation MRO repair station and civilian flying club, which is founded in 1995 and located in Xi'an city...the company's main business is flying club, it's a new sport in China, and all the MicroPilot autopilots we intend to purchase will be only installed on our model planes...Our entire model planes would not be used for military purpose."*
- XXATG End User Statement signed by Fang Yu on 01/12/2008



We've Run Into a Problem

- *"I regret to inform you that we have run into a problem regarding the End Use Statement that was submitted for the export application. International Trade Canada is questioning us regarding the Specific end-use of goods statement. They do not understand why an RC club would want autopilots for their model airplanes since manually flying the airplane is the whole point of the RC flying hobby."*
- 02/08/2008 E-mail from MicroPilot to Harold and Nina



A Further Explanation

- *As you know, these modelers are flying model jets...This aspect of model airplane hobby is not for the novice. Flying with real gas turbine requires experience and a rather serious budget. These modelers want the security of fail-save, microprocessors controls and homing systems to secure their investment...MicroPilot's reputation is very well known, and typical of Asian men, these modelers want the very best product on the market."*

– 02/28/2008 e-mail from Harold to MicroPilot



New Export Request

- *"I've e-mailed the original of this letter to you today. Let me know if you have problems opening it. I hope you and Mr. Fang can work out the export request. That would be a great opportunity for both of your companies. They could really have use (sic) the UAV support in assessing and reassessing the earthquake damage, flood damage, etc. this year. This purchase is not for him."*

– 06/30/2008 E-mail from Harold to MicroPilot



ARC End User Statement

- *“According to the terms of your offer and previous purchases, we understand that the MicroPilot flight control computer (autopilot) and its associated ground control software are export controlled goods. We will not export them from the United States without first obtaining the required U.S. export permit.”*
- 06/25/2008 EUS, signed by Harold Hanson, Vice President, ARC International



Follow Up to End User Statement

- *“One of our research projects involves using UAVs to record thunderstorm & tornado development in the Great Plains; another is recording ice-pack melt in the arctic. I may be in Ottawa 21st to discuss the second project, and I would like to let them know if we can use your equipment. Perhaps I could swing by and pick them up.”*
- 06/07/2008 E-mail from Harold to MicroPilot



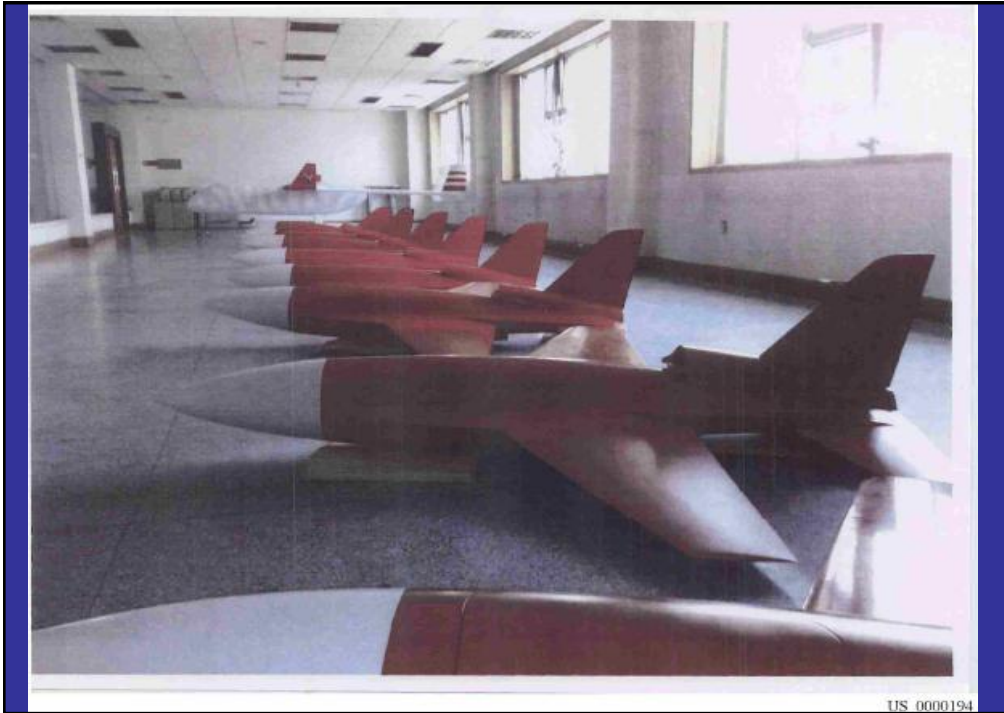
Separate MicroPilot Inquiry

- *08/22/2008: Wilson requests a "username or password" to access portions of the MicroPilot web site.*
- *08/26/2008: Wilson identifies his company as XXATG and listed two sets of serial numbers for the 19 MicroPilot UAV Autopilot units.*
- *08/30/2008: "I want to buy some MP2028. I am serching (sic) the seller on the internet. The person want (sic) to sell it to me. I don't know he really has or not. I asked him info, he gave me this serious (sic) number."*



Yaming's Statements to OEE

- *Harold told her an export license was required but she was afraid she might not receive one and was in a hurry.*
- *She "smuggled" the the MP2028s into China because she did not want to pay import taxes.*
- *She believed the MP2028s would be used to help the Chinese develop UAVs for "humanitarian reasons".*



The Final Outcome

- Two Felony Convictions
- XXATG placed on the Entity List
- Disruption of continued procurement efforts



Value of Cooperation and Multi-Agency Efforts

